BRITISH COLUMBIA

# BC STATS Infoline

tel (250) 387-0327
fax (250) 387-0329

All issues since 97-01 are on our website:
http://www.bcstats.gov.bc.ca

Issue: 99-49 5 Pages
December 10, 1999

## highlights

a weekly digest of recently released British Columbia statistics

### *The Economy*

- **The value of building permits issued by BC municipalities rose 19.3% (seasonally adjusted) between September and October.** Permits for planned residential projects were up 41.2%, ending a three-month-long downturn. More work was planned on multi-family dwellings, but permits for single-family residences declined in October. In addition, the value of planned non-residential construction projects continued to drop, decreasing 7.6%.

  Year-to-date, the value of permits issued in BC was down 4.5% from the first ten months of 1998. Residential permits fell 8.7%, but planned non-residential construction activity was marginally higher (+1.1%) than in 1998.

  *Source: Statistics Canada*

- **Department store sales in BC and the north were 5.0% higher this October than in the same month last year, but the region continued to lag behind the rest of the country.** Canadian sales were up 8.7%, led by a 15.3% increase in Newfoundland/PEI, and strong showings in Quebec (+10.4%) and Ontario (+9.7%).

  Year-to-date, sales were up 3.8% in BC and the three territories, less than half the national average (+8.1%). Sales in the rest of the country increased at rates ranging from 5.8% in New Brunswick to 12.5% in Newfoundland/PEI.

  *Source: Statistics Canada*

### *Housing*

- **The number of housing starts in British Columbia jumped 19.0% (seasonally adjusted) between October and November.** The surge follows a weak showing in October, when starts edged down 0.6%. BC was one of the bright spots in Canada last month. New Brunswick (+33.3%), Newfoundland (+23.1%) and PEI (+20.0%) were the only regions to outperform the province. Canadian starts rose more modestly (+5.1%) as declines in the prairies and Quebec offset advances in other parts of the country. *Source: Canada Mortgage & Housing Corporation*

- **The cost of new housing in the province's two largest cities continued its five-and-a-half-year-long slide in October.** The new housing price index fell 2.9% in Vancouver and 5.3% in Victoria, relative to October 1998. In contrast, Canadian prices for new housing were up 1.3% from a year earlier.

  Vancouver, Victoria, and Sudbury/Thunder Bay (-1.4%) were the only areas included in the survey where new house prices declined. In the rest of the country, Charlottetown (+0.7%) saw the smallest price increases, while residents of Calgary (+4.4%) faced the biggest hike in new housing costs, as higher prices for lumber and labour were passed on to consumers. Halifax (+4.2%) and Ottawa/Hull (+3.8%) also saw new house prices rise significantly.

  *Source: Statistics Canada*

- **MLS sales of existing homes in BC remained weak in October, dropping 7.9% (seasonally adjusted) below the September level.** The decline in the number of units sold was the fourth in as many months. Canadian sales were also down, falling 6.1%.

  However, October sales were higher than in 1998, and Canadian resale activity is expected to reach record levels by the end of the year. Year-to-date sales in BC were also well above 1998 levels (50,319, compared to 45,379 last year), but the volume of resale activity in the province has dropped off significantly since the beginning of the decade. During the first ten months of

**Report** **Mixed Messages? Explaining Seasonal Adjustment**

*Did you know...*

***Nine out of ten fake $50 bills, and eight in ten fake $100s, found last year had an "issue" date of 1988.***

1992, when the housing market was booming, 81,647 homes changed hands in BC.

*Source: Canadian Real Estate Commission data*

### *Counterfeit Cash*

- **121,973 of the 854 million bank notes in circulation in Canada last year were detected as counterfeits.** The counterfeit cash had a face value of $5.2 million. Counterfeiters are most likely to produce $20 (43,874 were detected last year) and $10 (31,401) bills, but some of them aim a lot higher. Four hundred and twenty two fake $1,000 bills were found last year, and there were almost as many false $100 bills (26,918) as there were fake $10s. Counterfeit $50s (17,329) were somewhat less common.

  During the first six months of this year, a total of 33,156 counterfeit bills were detected, about half as many as in the same period last year. However, more high-value bills (especially $100s) were found, and the total face value of counterfeit dollars detected was slightly higher ($2.0 million, compared to $1.9 million) than in the first six months of 1998. *Source: Bank of Canada data*

### *Travelling by Bus*

- **Urban transit systems in Canada carried 1.4 billion passengers in 1998–an average of 3.9 million people per day.** Use of urban transit systems declined during the first half of the 1990s, but has begun to increase again. Between 1995 and 1998, the number of revenue passenger trips rose 3.0%.

  However, fewer people are using the bus to make longer trips. The number of passengers carried on intercity buses in Canada has fallen more than fifty percent since the 1970s, to just under 14 million in 1997. Less than 3% of intercity passenger trips are made by bus. People are most likely to travel by plane (5%) if they are using commercial transportation services, but most (91%) travel by car. *Source: SC, catalogue 53-215*

### *The Nation*

- **Canadian companies made a strong showing in the third quarter, with operating profits rising 7.6% (seasonally adjusted).** The gains were concentrated in non-financial enterprises, where profits jumped 12.4% to $28.9 billion, fuelled by a booming manufacturing (+10.5%) sector. In addition, soaring prices for commodities elevated profits in the mineral fuels (+68.0%) and mining (+38.9%) industries. Profits in the mineral fuels industry rose to $1.9 billion (more than three times the level a year earlier) as OPEC production cuts triggered a rise in crude oil prices. Wood and paper manufacturers saw their profits rise 8.8% in the third quarter.

  Despite record-high profits for Canadian banks, the financial sector did not fare well in the third quarter as profits slid 3.5% to $10.9 billion, their lowest level in a year. A downturn in funds, other vehicles and financial intermediaries was more than big enough to offset the rosy picture in the banking industry. *Source: Statistics Canada*

- **Less than 1% of Canada's 1.2 million enterprises operate in more than one province or industry, or consist of more than one legal entity, but these "complex" enterprises accounted for more than half of the revenues earned and assets held by the non-financial business sector.** Of the 7,929 complex enterprises identified in 1997, more than half (57%) were in the wholesale (1,820), manufacturing (1,623) and retail (1,048) industries. These three industries also accounted for the lion's share (71%) of operating revenues. *Source: Statistics Canada*

- **Canadian industries continued to expand their use of existing plant and equipment in the third quarter, as capacity utilization rates rose to their highest level since the economic expansion of 1987/88.** The current capacity utilization rate (86.0% of potential output in non-farm goods-producing industries) is only slightly lower than the high of 86.8% reached more than a decade ago. The rise in the rate of capacity use is occurring because investment in new plant and equipment has not kept pace with output growth. However, the latest survey of Private and Public Investment, released last July, suggests that businesses intend to increase their spending on plant and equipment quite significantly. This is likely to bring utilization rates down. *Source: Statistics Canada*

**highlights,** Issue 99-49
Dece1mber 10, 1999

*For data originating from Statistics Canada: data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the publication name or catalogue number.*

December 10, 1999

# Infoline Report: Mixed messages?

## Seasonal adjustment explained

Contact: Martin Monkman / (250) 387-0360

Originally published in June 1999 issue, *Tourism Room Revenue*. Annual subscription: $60 + GST

**If I had a nickel for each time I was asked...**

A question that's been asked of us lately is "How can the seasonally adjusted numbers be down while the unadjusted are up?" Yes, at first glance it does seem paradoxical. In each of the first five months of 1999, BC's hotels, motels, and other purveyors of rental accommodation earned significantly more room revenue than in the same month of 1998, and in June there was no change from a year earlier. Yet for the months of March through June, seasonally adjusted room revenue was heading down quite sharply.

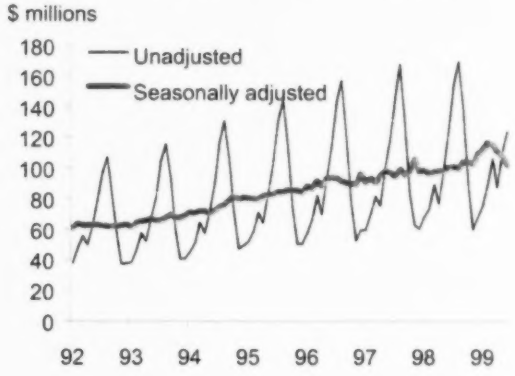
There's a reason why the growth rates are headed in different directions. But first...

**Seasonal adjustment—why we do it**

Tourism in BC is a profoundly seasonal phenomenon. How seasonal is it? In the peak month of August, room revenue is nearly three times that of the slowest month, December. And accommodation properties earn half their annual revenue in the four months of June through September.

Comparing one month's performance to the same month of the previous year (say, June 1999 over June 1998) is one way to assess how tourism is doing. But that approach ignores what's been going on in the intervening eleven months. And in a dynamic sector like tourism, eleven months is a long time.

***Seasonal adjustment averages out the summer peaks and winter valleys***

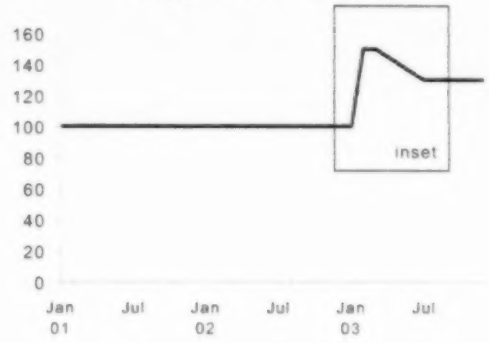



Seasonal adjustment gives us a method of comparing one month to the previous month, by removing the regular and predictable seasonal fluctuations that occur. Changes from the normal seasonal patterns are revealed in the seasonally adjusted data series.

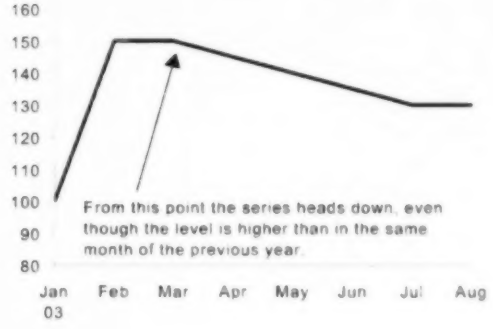
**A hypothetical example**

Let's look at the hypothetical example of a widget retailer who's been selling 100 widgets a month for two years. In February of the third year, sales suddenly jump to 150 per month—a 50% increase! But the gain is short-lived; sales remain at 150 per month in March (unchanged from February), then fall by 5 units in each month until July when they resume their steady state at 130 units per month. Sales are now higher than they were in the second year, but they are no longer increasing.

***Widget sales—long term***




***Widget sales—a closer look***




BC STATS, Min. of Finance & Corporate Relations, Box 9410 Stn Prov Govt, Victoria, BC V8W 9V1
Tel: (250) 387-0327 Fax: (250) 387-0329 Web: http://www.bcstats.gov.bc.ca E-mail: BC.Stats@gems8.gov.bc.ca

Both the month-over-month and year-over-year comparisons tell us something about the widget retailer's fortunes. A month-over-month comparison would show a sharp increase, followed by a decline, and then a stable series. For a short-term analysis, this method is ideal.

On the other hand, year-over-year comparisons will continue to show an increase until the following February, even though sales stabilized at 130 units from July onward. This analysis won't report the downturn in sales until a year after the fact.

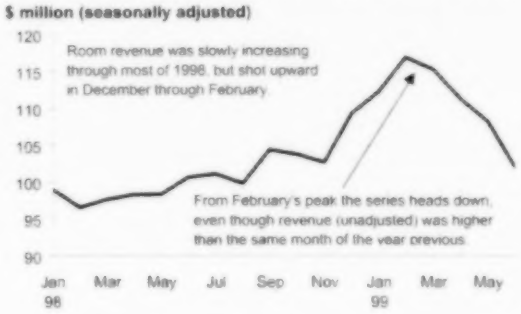
### Dynamics in tourism

Tourism is subject to big seasonal swings, thus making seasonal adjustment an important analytical tool. But other factors can create irregular changes in the volume of tourism activity. While tourism in BC has been trending upward over the long term (as shown in the overall direction of the seasonally adjusted room revenue), there can be specific events that precipitate dramatic short-term changes in the sector's performance. As we saw in 1998, a shift in exchange rates between Canada and the US can lead to some rapid changes in the number of people who travel across the border. A special event, such as Expo '86, the APEC Summit in November 1997, and more recently the Royal BC Museum's Leonardo da Vinci exhibit of October 1998 through March 1999, can also generate a quick increase in the number of tourists visiting an area. On the other hand, a sudden economic downturn, as occurred in Asian countries in 1998, can lead to a sharp drop in the number of tourists.

### Solving the room revenue paradox

The apparent paradox in the room revenue trends—unadjusted is up while the seasonally adjusted is down—arose because there was an unusually large increase in room revenue in late 1998 and early 1999. Year-over-year growth rates of unadjusted room revenue peaked in February (+21.5%), but since then have tapered off. Much like the widget sales line, as the year-over-year growth rates tapered off, the seasonally adjusted revenue fell. The following chart, showing seasonally adjusted room revenue, shows the industry's strong performrance in the months of December 1998 through February 1999, and the subsequent decline.

***BC had an unusually strong winter season***

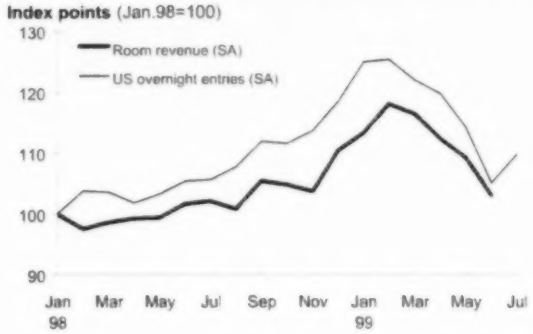



### Comparing seasonally adjusted series

Having a nice neat series with all of the seasonal factors removed makes it easy to compare one series with another.

One such comparison that we've made in recent months is between the seasonally adjusted room revenue and US overnight entries. A quick glance at the chart below reveals that there is a strong correspondence between the two series. As US overnight entries grew in the latter part of 1998, so did room revenue. And as US entries slipped, room revenue followed.

***US entries as a predictor of room revenue?***




Readers who seek to determine where room revenue might be headed in July will be heartened to see the upturn in US entries, which suggests that the slide in room revenue might be coming to an end.

BC STATS, Min. of Finance & Corporate Relations, Box 9410 Stn Prov Govt, Victoria, BC V8W 9V1
Tel: (250) 387-0327 Fax: (250) 387-0329 Web: http://www.bcstats.gov.bc.ca E-mail: BC.Stats@gems8.gov.bc.ca

# Infoline

December 10, 1999

fax transmission information service from **BC STATS**

also on the Internet at http://www.bcstats.gov.bc.ca

## BC at a glance . . .

| **POPULATION (thousands)** | Jul 1/99 | % change on one year ago |
|---|---|---|
| BC | 4,029.3 | 0.7 |
| Canada | 30,568.0 | 0.9 |
| **GDP and INCOME** | | |
| *(BC - at market prices)* | 1998 | % change on one year ago |
| Gross Domestic Product (GDP) *($ millions)* | 110,948 | -0.2 |
| GDP *($ 1992 millions)* | 99,708 | 0.2 |
| GDP *($ 1992 per Capita)* | 24,908 | -0.8 |
| Personal Disposable Income *($ 1992 per Capita)* | 15,969 | -1.6 |
| **TRADE ($ millions)** | | |
| Manufacturing Shipments (seas. adj.) Sep | 3,220 | 11.6 |
| Merchandise Exports (raw) Sep | 2,483 | 5.8 |
| Retail Sales (seasonally adjusted) Sep | 2,846 | 4.4 |
| **CONSUMER PRICE INDEX** | | |
| *(all items - 1992=100)* | Oct '99 | % change on one year ago |
| BC | 111.8 | 1.5 |
| Canada | 111.5 | 2.3 |
| **LABOUR FORCE (thousands)** | | |
| *(seasonally adjusted)* | Nov '99 | % change on one year ago |
| Labour Force - BC | 2,075 | 0.6 |
| Employed - BC | 1,910 | 0.5 |
| Unemployed - BC | 165 | 2.0 |
| | | Nov '98 |
| Unemployment Rate - BC *(percent)* | 8.0 | 7.8 |
| Unemployment Rate - Canada *(percent)* | 6.9 | 8.0 |
| **INTEREST RATES (percent)** | Dec 8/99 | Dec 9/98 |
| Prime Business Rate | 6.50 | 6.75 |
| Conventional Mortgages - 1 year | 7.35 | 6.40 |
| - 5 year | 8.25 | 6.80 |
| **US/CANADA EXCHANGE RATE** | Dec 8/99 | Dec 9/98 |
| *(avg. noon spot rate)* Cdn $ | 1.4793 | 1.5430 |
| US $ *(reciprocal of the closing rate)* | 0.6765 | 0.6491 |
| **AVERAGE WEEKLY WAGE RATE** | | |
| *(industrial aggregate - dollars)* | Nov '99 | % change on one year ago |
| BC | 634.58 | 0.7 |
| Canada | 603.73 | 3.2 |

**SOURCES:**

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bank-banque-canada.ca/english/wfsgen.htm

**Released this week by BC STATS**

- Labour Force Statistics, November 1999

**Next week**

- Consumer Price Index, November 1999

BC STATS, Min. of Finance & Corporate Relations, Box 9410 Stn Prov Govt, Victoria, B.C. V8W 9V1
Tel: (250) 387-0327 Fax: (250) 387-0329 Web: http://www.bcstats.gov.bc.ca E-mail: BC.Stats@gems8.gov.bc.ca